

MAY 7 2007

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COMMISSION

BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of

2007 MAY -7 P 3:39

Karoly Law Offices, P.C., et. al

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MUR 550 **SENSITIVE**

GENERAL COUNSEL'S REPORT #2

I. ACTIONS RECOMMENDED

Find reason to believe that Jayann Brantley and Christina Ligotti violated 2 U.S.C. § 441f and approve the attached Factual and Legal Analyses.

II. BACKGROUND

We previously sent the Commission an Informational Memorandum describing the background of this matter, the investigation to that date, *See* Attachment 1. As we stated therein, it appears from the affidavit of Gregory Paglianite, who admits he was reimbursed, and from documents we had received thus far, that the Karoly Law Offices, with name partner John Karoly's consent, reimbursed contributions to the 2004 Gephardt campaign from the law firm's trust account. *Id.* at 3.

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3 Following the Informational Memorandum, we sent subpoenas to Brantley and Ligotti,
4 through Karoly as counsel, for their bank records. Ultimately, after long delays, both individuals
5 retained the same separate counsel and provided their bank records. As discussed below, those
6 records, combined with Paglianite's affidavit and law firm records, provide strong evidence that
7 both Brantley and Ligotti were conduits. However, when we sought their cooperation, their
8 counsel told us that although his clients claim they earned what appears to be reimbursement
9 funds, each planned to assert the Fifth Amendment based on his assessment that we would not
10 believe his clients' stories.¹

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¹ The same attorney also represents Heather Kovacs, as to whom the Commission already made reason to believe findings. See Attachment 1 at 1. Counsel has advised that Ms. Kovacs also plans to assert her Fifth Amendment privilege for the same reason.

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**III. THE EVIDENCE SUPPORTS REASON TO BELIEVE FINDINGS AS TO
JAYANN BRANTLEY AND CHRISTINA LIGOTTI**

In his affidavit, Gregory Paglianite, formerly employed by the Karoly Law Offices, averred that John Karoly offered to give him money to donate to the Gephardt campaign. In response, Paglianite wrote a check for \$4,000 to the Gephardt Committee on September 28, 2003, representing contributions of \$2,000 each from him and his wife. Thereafter, according to the affidavit, Karoly instructed Jayann Brantley, a firm employee, to bring him cash; Brantley handled financial matters for the law firm and kept cash in a box in her desk. After Brantley brought the money to Karoly, Karoly gave Paglianite \$4,000 in cash to reimburse him for the contributions. Paglianite averred that the October 7, 2003 deposit into his bank account of \$4,000 was the cash he received as reimbursement. Bank records subpoenaed from the Karoly Law Offices show that on the same day Paglianite deposited his reimbursement, the firm's special trust account issued a check for \$12,000 made out to cash. Christina Ligotti, another firm employee who has since left, endorsed the check.³ It is possible that Paglianite's cash reimbursement came from that check.

Like Paglianite, Jayann Brantley also wrote a \$4,000 check on September 28, 2003 to the Gephardt campaign, representing contributions from herself and her husband, Theodore

³ In his affidavit, Paglianite also averred that his affidavit denying reimbursement that was submitted in response to the complaint is wrong; he signed the affidavit on John Karoly's legal advice. All of Karoly's clients at the time of the response, including Jayann Brantley and Christine Ligotti, submitted identical affidavits.

1 Brantley, of \$2,000 each. Neither of the Brantleys has ever made any other federal contribution,
2 and at the time Brantley wrote the check, there were inadequate funds in her account to cover it.
3 On October 7, 2003, the same day that Paglianite deposited his \$4,000 cash reimbursement, the
4 Brantleys' credit union statements reflect a \$4,000 cash deposit. This deposit was the largest
5 deposit into their checking account between April 2003 and January 2004, the nine-month period
6 covered by the subpoena, and the \$4,000 is not reflected on the law firm's payroll records as
7 regular pay, overtime pay or as a bonus to Brantley. Thus, it appears that Brantley may have
8 been reimbursed for the Gephardt contributions, and it is possible that the funds may have come
9 from the October 7, 2003 Karoly Law Offices' check for \$12,000 in cash discussed above.

10 Likewise, on September 28, 2003, Christina Ligotti wrote a check for \$3,000 to the
11 Gephardt Committee for contributions from herself and her husband, Matthew Ligotti, of \$1,500
12 each. This is the only federal contribution the Ligottis have ever made. On October 6, 2003,
13 Karoly Law Offices issued a check to Matthew Ligotti for \$3,000. The memo line of the check
14 states "Hirke Bonus."⁴ However, the law firm's payroll records do not list Matthew Ligotti as an
15 employee of the law firm during this time or at any time between April 2003 and January 2004,
16 the period covered by the subpoena.⁵ Based on the check's amount and timing, it appears that it
17 may represent reimbursement by the Karoly Law Offices for the Ligottis' \$3,000 contribution.
18 On October 7, 2003, the same day Paglianite and Brantley made their \$4,000 cash deposits,
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⁴ In an interview with the complainant, a former employee of the law firm, he stated that the Hirke case was a major litigation matter in which Karoly Law Offices served as plaintiff's counsel.

⁵ The Ligottis' bank statements during this period show a bi-weekly entry noted as "Direct Deposit - Payroll Airborne Express," indicating that Mr. Ligotti may have been an employee of Airborne Express.

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1 the Ligottis deposited \$3,073.65 into their bank account, which included the \$3,000 check made
2 out to Matthew Ligotti the previous day.

3 Section 441f of the Federal Election Campaign Act of 1971, as amended, provides that no
4 person shall make a contribution in the name of another person or knowingly permit his name to
5 be used to effect such a contribution. Based on the above, it appears that Jayann Brantley and
6 Christina Ligotti may have knowingly permitted their names to be used to make contributions to
7 the Gephardt Committee that were reimbursed by the Karoly Law Offices. Therefore, we
8 recommend that the Commission find reason to believe that Jayann Brantley and Christine
9 Ligotti each violated 2 U.S.C. § 441f.⁶

10 IV. **RECOMMENDATIONS**

1. Find reason to believe that Jayann Brantley violated 2 U.S.C. § 441f;
2. Find reason to believe that Christina Ligotti violated 2 U.S.C. § 441f;
3. Approve the attached Factual and Legal Analyses;

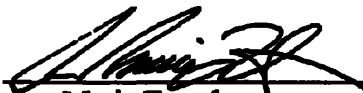
⁶ We have recently sent deposition subpoenas to Theodore Brantley and Matthew Ligotti and another alleged conduit through their counsel, Mr. Karoly. This will give them the opportunity to cooperate with us should they choose to do so. If they choose not to cooperate, we will make appropriate recommendations as to them in the future.

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4. Approve the appropriate letters.

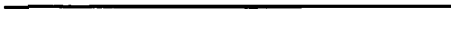
Thomasenia P. Duncan
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5/7/07
Date


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